Featured Professionals

Paul J. LaVanway

America Invents Act

Legal Update
10.01.2011

By Paul J. LaVanway, Jr.

The most significant revamping of United States patent law in the last 50 years was enacted on September 16, 2011, with President Obama's signature of the America Invents Act. The Act, which will be implemented over the next 18 months, changes the procedures for obtaining new patents and provides new tools for challenging existing patents. Small businesses need to understand the changing patent laws to adequately manage their intellectual property rights and liabilities. Some of the most important changes to the patent laws are examined below.

Shifting to a First-to-File System

The patent reform act reverses centuries of U.S. patent policy by moving to a "first-to-file" patent system. Under the "first-to-invent" system, currently used in the U.S., the first inventor of a technology can obtain a patent even if he is not the first person to file a patent application on the technology. The reform act changes this standard by granting patent rights to the first patent filer on a technology regardless of whether he is the first inventor.

While the impact of this "first-to-file" change remains to be seen, practitioners speculate that the change will create a race to the Patent Office, particularly for rapidly developing fields marked by aggressive competition. For large companies that are used to filing patent applications early and often, the change may have minimal impact on their practice. For sole inventors and small entities, however, the change will create difficult decisions about how to effectively use limited resources. Smaller entities are going to be under greater pressure to patent each new development without the benefit of waiting to see if a new idea is commercially accepted.

Although no panacea, one strategy small companies may consider is increasing the number of provisional patent applications filed. A provisional patent application can secure a filing date—thereby satisfying the requirements of the "first-to-file" rules—while delaying significant fees for up to one year. For companies that are more regular patent filers, the strategy may be to increase the frequency with which inventive concepts are internally reviewed and considered for patent filing. Rather than addressing patent issues on a quarterly basis or other less frequent duration,

the new law will place a premium on acting rapidly before the Patent Office.

New Post-Grant Review Process

One of the most talked about aspects of the reform act is the new procedures allowing parties to challenge any issued patent in any technology area at the U.S. Patent and Trademark Office. Two separate proceedings are created by the new law: An “inter partes” review and a “post-grant” review. The “inter partes” review refreshes an existing set of procedures at the Patent Office that allow a granted patent to be challenged by asserting the patent is invalid over prior art. The “post-grant” review is an entirely new way to challenge a patent short of going into federal court. The “post-grant” review allows any newly granted patent to be challenged on any ground, although the challenge must be filed within nine months of a patent’s issuance.

As the cost and complexity of trying to defend against allegations of patent infringement continue to grow, the patent reform legislation places a new arrow in the quiver of a party concerned about a competitor’s patent position. Conversely, the law also raises a patent opposer’s burden of proof to challenge a patent under the existing “inter partes” proceedings. Only time will tell how these changes will impact small inventive entities.

On the one hand, small inventors may find the Patent Office a more friendly and accessible venue for post-grant challenges. A small inventor concerned about a patent can challenge the patent at the Patent Office at a fraction of the cost and complexity of trying to challenge the patent in court, as is often required under existing patent laws. On the other hand, well-funded companies looking for new ways to invalidate a patent have new tools. Small inventors may face the prospect of having to defend their hard-won intellectual property against new challenges at the Patent Office.

Expansion of Prior User Defenses

Since 1999, alleged infringers of patents on “methods of doing or conducting business” have been able to avail themselves of the defense of prior commercial use. Under the defense, the alleged infringer can assert that they have been commercially practicing the patented method prior to the filing of the underlying patent, thereby avoiding liability.

The new reform act expands the prior user defense to include any subject matter “consisting of a process, or consisting of a machine, manufacture, or composition of matter used in a manufacturing or other commercial process.” A major limitation on the defense is that it will only apply to new patents going forward. Further, it is unclear how broadly the defense will be interpreted. For example, the defense may only apply if a process alleged to infringe a patent is the exact same process practiced before the filing of the patent, not some minor variation of the process. Nevertheless, the change may provide additional protections for small entities that do

not have their own intellectual property in a technology space. A small entity may be protected from having a competitor patent and shut down their commercial process, even if the small entity does not itself file for patent protection.

The America Invents Act drastically changes the patent system. Not all of the changes are effective immediately. Further, once all of the provisions are fully in force, there will be a lot of unresolved interpretive questions that take years to address. That being said, the changes will provide new opportunities and create new risks for potential patentees, particularly for small businesses that have limited internal resources to navigate the change. Knowledge of the new rules and an appropriate strategy to manage the change may be the difference between success and failure in the competitive marketplace for ideas.